GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3952
ANSWERED ON:20.03.2015
EASING ECB NORMS
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government propose to review modify/external commercial borrowings policy in consultation with Reserve Bank of India (RBI) in tune with the evolving macro-economic situation, domestic investment demand and external sector developments to facilitate the flow of funds to key sectors, if so, the details thereof;

(b) the extent to which it would assist rural / urban housing sectors and fund the low cost affordable housing projects; and

(c) if so, the details thereof and the benefits accrued to other sectors on account of easing of ECBs?

Answer

MINSTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAYANT SINHA)

(a) Based on prevailing macro-economic situation, domestic investment demand and external sector developments Reserve bank of India (RBI) in consultation with Government of India (GoI) makes changes in External Commercial Borrowing (ECB) norms from time to time. Major changes introduced in the ECB norms since April 1, 2014 are as follows:

i)May 9, 2014: ECB from overseas branches/subsidiaries of Indian banks for the purpose of refinance/repayment of the Rupee loans raised from the domestic banking system was disallowed in respect of:

(a) Scheme of take-out financing

(b) Repayment of existing Rupee loans for companies in infrastructure sector

(c) Spectrum allocation and

(d) Repayment of Rupee loans under USD 10billion scheme

ii)September 3, 2014: Recognized non-resident ECB lenders were allowed to extend loans in Indian Rupees to all eligible ECB borrowers.

iii)November 21, 2014:Authorized Dealer (AD) Category-I banks were permitted to allow eligible ECB borrowers to park ECB proceeds (both under automatic and approval routes) in term deposits with AD Category −I banks in India for a maximum period of six months pending utilization for permitted end uses.

iv)January 1, 2015: AD category-I banks were permitted to allow creation of charge on immovable assets, movable assets, financial securities and issue of corporate and/or personal guarantees in favour of overseas lender/security trustee to secure the ECB to be raised/raised by the borrower

(b) & (c): ECB Policy in general is expected to benefit the infrastructure/manufacturing /select services sectors (hotels, software, training, research and development companies supporting infrastructure). The following changes in ECB policy have been made to assist rural / urban housing sectors and fund the low cost affordable housing projects:

i) ECB under the scheme of low cost affordable housing projects can be raised by developers/builders registered under the Companies Act. Housing Finance Companies (HFCs)/National Housing Bank (NHB) can also avail of ECB for financing prospective owners of low cost affordable housing units subject to conditions.

ii) Slum rehabilitation projects are also eligible under the low cost affordable housing scheme.

iii) Developers/builders with proven financial track record, based on the specified criteria, shall qualify for raising ECB for low cost affordable housing scheme.

iv) HFCs satisfying the laid down conditions can also raise ECB for financing prospective owners of low cost affordable housing units.

v) Besides HFCs meeting norms, National Housing Bank (NHB) is also eligible for raising ECB under the scheme of low cost

affordable housing projects. Further, in the event of a developer of low cost affordable housing project not being able to raise ECB directly as envisaged above, NHB shall be permitted to avail of ECB for on-lending to such developers who satisfy the stated conditions.

An aggregate limit of USD 1 billion was fixed under the low cost affordable housing scheme for financial year 2012-13 which was further extended for financial years 2013-14 and 2014-15 also.